

House Farm Bill Conference Proposal

April 18, 2002

Title I - Commodities

Loan rates, Fixed Payments and Target Prices for Program Crops

| | <u>Loan Rate</u> | <u>Fixed Payment</u> | <u>Target Price</u> |
|---------------------|------------------|----------------------|---------------------|
| Corn (bu) | \$1.95 | \$0.30 | \$2.64 |
| Sorghum (bu) | \$1.95 | \$0.36 | \$2.58 |
| Barley (bu) | \$1.79 | \$0.25 | \$2.32 |
| Oats (bu) | \$1.33 | \$0.025 | \$1.43 |
| Wheat (bu) | \$2.74 | \$0.53 | \$3.92 |
| Soybeans (bu) | \$4.98 | \$0.42 | \$5.82 |
| Minor Oilseeds (lb) | \$.0880 | \$0.0074 | \$0.1029 |
| Cotton (lb) | \$.5257 | \$0.0667 | \$0.7200 |
| Rice (cwt) | \$6.50 | \$2.35 | \$10.65 |

- ❑ **Base Acres:** Allow producers to retain their current AMTA base acres and add oilseed acres, or to update base acres based on 1998-2001 planted and prevented planted acres to all crops (including oilseeds).
- ❑ **Payment Yields:** Allow producers who update base acres to update yields for counter-cyclical payments. The update is 70% of the difference between a full yield update based on 1998-2001 planted yields and current AMTA yields. Provide a “plug” of 75% of the county average yield for each year that the actual yield is less than that level.
- ❑ **Advance Payments:** Provide a 75% advance counter-cyclical payment based on price information available at the end of the first six months of the marketing year. Pay the remainder after the end of the marketing year.
- ❑ Includes authority for **LDPs on grazed wheat, oats, and barley**, provides for LDPs for the 2001 crop on non-AMTA farms, and waves beneficial interest requirements for the 2001 crop.

Dairy: Maintain a permanent \$9.90 Milk Price Support Program and establish a 3 1/2 year National Dairy Program that makes payments to all U.S. producers (using the Senate farm bill formula for the Northeast dairy program). Payments are made on up to 1.8 million lbs. of production per farm.

- ❑ Cost of Price Support -- \$773 million.
- ❑ Cost of National Dairy Program -- \$1.005 billion.

Peanuts: Provide a quota buyout of 14 cents per year over 4 years (56 cents total); provide target price of \$500/ton; and allow for the payment of storage costs for crops under loan. Provide \$360/ton loan rate and \$36/ton fixed payment rate.

- ❑ Cost of House bill -- \$3.483 billion.
- ❑ Cost of additions -- \$556 million.

Sugar: Eliminate the penny/lb. loan forfeiture penalty.

- ❑ Cost to eliminate penalty -- \$431 million.

Wool and Mohair: Maintain house provisions and rates, and add a \$.40/lb loan for unshorn pelts.

- ❑ Cost of House bill -- \$202 million.
- ❑ Cost of addition -- \$3 million.

Honey: Maintain House/Senate loan rate at \$.60/lb.

- ❑ Cost -- \$101 million.

Specialty Crop Purchases: Increase carryover spending authority for Section 32 commodity purchases. Additionally accept the Senate approach (for additional commodity purchases) that would require not less than \$200M of Section 32 funds to be used in each of the fiscal years 2002 through 2008 to purchase fruits and vegetables, and at least \$50M of that amount be used for fresh fruits and vegetables for schools through the DoD Fresh Program.

- ❑ Cost -- \$79 million.

Step 2 Adjustment: Accept the Senate provision to suspend the \$1.25 cent threshold and extend through July 31, 2004.

- ❑ Cost -- \$49 million.

Farm Savings Accounts: Accept Senate provision to establish a limited pilot program to provide matching funds to farmers who put aside funds in a special farm saving account.

- ❑ Cost -- \$36 million

Supplemental Payments to Producers: Corrects USDA error to provide certain producers payments that went undelivered for crop years 1999, 2000, and 2001.

- ❑ Cost -- \$4 million

Payment Limitations: Reduce limit on fixed payments by 20%, from \$50,000 to \$40,000. Reduce limit on Counter-cyclical payment by over 13% from \$75,000 to \$65,000. Reduce limit on LDPs and MLGs from \$150,000 to \$75,000. Maintain separate payment limitation for peanuts. Retain current rules on husbands & wives, 3-entities, and “actively engaged”. Adopt the \$2.5 million Adjusted Gross Income means test for participation in farm programs. Retain the use of generic certificates in the loan program. Lastly, include report language directing the Secretary to commit necessary resources to investigate and eliminate the use of schemes or devices for circumventing payment limitations. Total dollar limitation is reduced from House bill level of \$550,000 to \$360,000.

Title II– Conservation

| Program | Notes | Cost |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Conservation Reserve Program (CRP) | Increase acreage cap from 36.4 million to 39.2 million acres. Retain priority areas. Expand wetlands pilot to 1 million acres with all states eligible. | \$1.517 billion |
| Wetlands Reserve Program (WRP) | Maintain House level of 1.5 million additional acres. Enrolled acreage currently stands at 1.075 million acres. | \$1.726 billion |
| Grasslands Reserve Program (GRP) | Provide authority to enroll up to 2 million acres. | \$254 million |
| Farmland Protection Program (FPP) | Since this program’s beginning in 1996, it has spent \$53.4 million to protect 108,000 acres. | \$1 billion |
| Wildlife Habitat Incentives Program (WHIP) | Since ’96, approximately \$62.5 million has been spent through this program to provide cost-share payments on 1.6 million acres. | \$700 million |
| Environmental Quality Incentives Program (EQIP) | Staged up to achieve \$1.5 billion baseline, similar to the House bill. Priority areas are eliminated. Funds are split equally between crop and livestock assistance. | \$10.1 billion |
| (With water conservation program) | Water conservation program to be national in scope providing cost-share and incentives for ground and surface water conservation. | \$800 million |

Title II– Conservation Continued

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|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Conservation Security Program (CSP) | Provides for a \$100 million per year pilot program to explore incentive payments for farm stewardship practices. | \$700 million |
| Small Watershed Rehabilitation Program | Provides essential funding for the rehabilitation of aging small watershed impoundments that have been constructed over the past 50 years. | \$300million |
| Total | | \$17.1 billion |

Title III - Trade

| Program | Notes | Cost |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Market Access Program (MAP) | Program spending ramped up to \$200 million by 2006. | \$760 million |
| Technical Assistance for Specialty Crops (TASC) | Provides exporter assistance to address barriers that restrict U.S. specialty crop exports. | \$20 million |
| Foreign Market Development Cooperator Program (FMD) | Program spending increased from \$27.5 to \$35 million per year, with a significant emphasis on the importance of the export of value added agricultural commodities into emerging markets. | \$70 million |
| Food for Progress | Increases funding caps for transportation and administrative costs and sets a minimum level of commodities to be purchased for use in this food aid program. | \$308 million |
| Total | | \$1.158 billion |

Title IV - Nutrition

Provides for additional funding and simplification of the food stamp program. The food stamp quality control system is reformed and streamlined. Commodity distribution programs for needy families are expanded, with emphasis on the distribution of fruits and vegetables. Provides food stamp eligibility for legal qualified aliens who have been in the United States for 5 years. Children, the disabled, and refugees who are not U.S. citizens but are legal qualified aliens are eligible for food stamps.

- ❑ Cost – \$6.4 billion

Title VI - Rural Development

| Program | Notes | Cost |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Rural Local Television Broadcast Signal Loan Guarantees | Provides funds to place two satellites into service so that rural residents in unserved or underserved areas may receive their nearby television stations. | \$80 million |
| Broadband in Rural Areas | Provides funds to upgrade telephone services in rural areas so that rural consumers may receive high-speed, high-quality telecommunications services. | \$100 million |
| Value-Added Agricultural Market Development Grants | Expands the value-added processing program authorized by ARPA to additional producer groups and new and emerging technologies. | \$240 million |

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|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------------------|
| Community Water Assistance Grant Program | Sets aside appropriated funds for communities facing emergency drinking water shortages | --- |
| Rural Strategic Investment Program | Creates regional investment boards and provides funding for regional investment plans | \$100 million |
| Rural Business Investment Program | Rural business investment companies will leverage private equity to invest in rural businesses | \$100 million |
| Funding for Rural Development Backlogs | Funds water and waste water program backlogs | \$360 million |
| Rural Firefighters and Emergency Personnel Grant Program | Provides funding to train firefighters and emergency personnel | \$50 million |
| Total | | \$1.030 billion |

Title VII - Research

Provide for the Research Initiative for Agriculture and Food Systems.

- ❑ Cost -- \$1.5 billion.

Title VIII - Forestry

Mandatory money committed to new cost-share program to assist private non-industrial forest landowners in adopting sustainable forest management practices.

- ❑ Cost -- \$175 million.

Title IX - Energy

In addition to adopting provisions from both the House Bill and Senate Energy Title to promote energy efficiency and the use of renewable fuels, the proposal provides mandatory funding for the Bioenergy Program, which will enable the Secretary to continue making payments to bioenergy producers who purchase agricultural commodities for the purpose of expanding production of biodiesel and fuel grade ethanol.

- ❑ Cost – \$405 million.

Title X - Miscellaneous

Packer Ownership: Establish a Presidential commission, structured like the Presidentially-appointed Food Safety Commission previously agreed to in order to study the issue of captive supply and market mechanisms. Report to be completed by December 31, 2004.

Country of Origin Labeling: For meat, fresh fruits & vegetables, and all other commodities addressed in the Senate bill, require the Secretary to issue rules for voluntary labeling by September 30, 2002. This program would become mandatory on January 1, 2005 unless the Secretary determines that it would not be in the best interests of producers and consumers. Criteria to be used by the Secretary include at the minimum:

- Potential costs outweigh benefits to producers.
- It could interfere with U.S. access to international markets for producers.
- It would result in no significant positive impact on producer’s incomes.

Disclosure: clarify that people can discuss contracts with state & federal agencies and other individuals having a fiduciary or familial relationship.